THE PREVALENCE OF DUMPING IN INTERNATIONAL TRADE. II

BELGIAN, FRENCH, AUSTRIAN, CANADIAN DUMPING

The export practices of other continental countries have not been subjected to as close or as critical examination as those of Germany, so that there is available but scanty material upon which to base conclusions as to the prevalence of dumping in these countries. But the combination of circumstances which especially favored the development of export dumping in Germany on a systematic and extensive scale, namely, the growth of large-scale manufacturing industries operating under unified or syndicated control and enjoying high tariff protection in the domestic market, were not present to nearly the same degree in the remainder of the Continent. In most of the continental countries manufacturing for export was either comparatively unimportant or was largely confined to the production by small concerns of individualized products under conditions not far removed from the handicraft stage. It is not to be expected, therefore, that dumping should be found to be as prominent in the export trade of these countries as of Germany. Such evidence as is available appears to justify the conclusion that in these countries dumping in the export trade was practiced on an extensive scale only by such producers as were operating under conditions closely similar to those governing the syndicated German industries, namely, large-scale machine industry, syndicated control, and a protected domestic market.

In some respects conditions most closely resembling those of German manufacturing industry were to be found in Belgium. There were in this country many important large-scale manufacturing enterprises, organized into producers' syndicates closely modeled after the German kartells. But these syndicates exported so large a proportion of their total output, and the domestic market in many cases was relatively so unimportant,

that there was little to be gained from an attempt to maintain domestic prices on a permanently higher level than those prevalent in the important export markets. Moreover, the Belgian tariff was too low, and the Belgian market too close to Germany, France, and England, to permit of the maintenance of prices in the domestic market substantially higher than the export prices—often dumping prices—of the producers in these countries. The conditions were in these important respects unfavorable, therefore, to the practice by Belgian producers of dumping on a systematic and substantial scale.[1] Some of the most important of Belgian industries nevertheless found it practicable to resort to dumping either intermittently or on a permanent basis, and in several instances export bounties, both to direct exporters and to domestic manufacturers buying materials for further use in manufacture for export, were employed. Among the industries which resorted more or less systematically to dumping were the iron and steel, coal, cement, plate glass, canned vegetables, and earthenware syndicates, all of them among the leading industries of Belgium.[2] Because the domestic market was relatively unimportant for some of these industries, Belgian dumping occasionally took the form of the sale of Belgian products at lower prices in distant foreign markets than in other export markets which were closer by and were "standard" markets for Belgian products.[3]

[1] Cf. G. De Leener, *L'Organisation Syndicale des Chefs d'Industrie*, Brussels, 1909, II, 274, 433. Cf. especially, p. 433: "La Belgique, à défaut de protection douanière suffisante, présente peu d'exemples caractérisés de la pratique du 'dumping.'"

[2] For evidence of Belgian dumping, see U.S. Dept. of Commerce, *Monthly Consular Reports*, May, 1905, p. 143; *Cooperation in American Export Trade*, Part I, pp. 180, 222, 307; *Selling Foreign Manufactures in the United States*, Part I, pp. 10, 11, 13; G. De Leener, *op. cit.*, I, 80–85; II, 430–34.

[3] The following account of the export price methods of the Belgian plate-glass industry, taken from *Selling Foreign Manufactures in the United States*, Part I, pp. 10, 11, illustrates the practice of price-discrimination between different export markets:

"The Belgian home market is exceedingly small. I estimate its consumption to amount to less than 5 per cent of the Belgian production—and your purpose will probably be more equitably served by a comparison between the syndicate prices for the United States and those for England, which latter country, because of its

The greater part of the export trade of France consists of articles made by hand, or if made by machine, manufactured on a small scale in varied styles and designs and without much utilization of expensive plant or machinery. In many cases the exports are artistic specialties and novelties made to individual patterns and not subject to keen competition from other countries on a price basis. Under such conditions of manufacture, the labor cost and the cost of materials together comprise nearly all of the total cost, and these are not favorable conditions for the development of dumping on a comprehensive scale.[1] But it would be reasonable to infer, from the general situation in other countries under like circumstances, that the few French industries which are organized into producers' syndicates, which are protected in the domestic market from foreign competition by high import duties, and which engage in the export trade, do resort to dumping either intermittently or continuously. Little evidence of such practice is to be found in French literature, but this is not conclusive. The voluminous French literature dealing with the policies and practices of trusts and industrial combinations enters into great detail in its discussions of the abuses of German kartells and American trusts but finds little or nothing to criticize in the practices of the French syndicates.[2]

free trade and its very large consumption, is the recognized standard market for Belgian plate glass. . . . . The discounts granted on the same for shipment to the two markets are respectively:

Polished Plate Glass, Ordinary Thickness (¼ Inch)	England	United States
	Per Cent	Per Cent
Cut sizes, silvering quality, all sizes	20	30
Cut sizes, glazing quality, above 20 and up to 100 square feet	30 and 2½	50 and 5
Stock sizes, glazing quality, 4 to 7 square feet	15 and 2½	30

"The difference in the selling price between the two markets, although quite noticeable, is far from what it has repeatedly been at previous times, when the outlet to the United States had to take care of a surplus production. At present the entire production of the syndicated factories is being reduced 60 per cent through mutual understanding, which makes aggressive selling prices on the United States market less urgent, as long as the present policy is considered expedient."

[1] Cf. H. O. Meredith, *Protection in France*, London, 1904, pp. 103–8.

[2] This may perhaps be explained by the fewness of powerful industrial combinations in France and by the greater measure of secrecy which surrounds business activities in this country as compared to Germany and the United States. (Cf. *Cooperation in American Export Trade*, Part II, p. 94.)

Most French writers on the export policies of trusts and kartells either are silent on the question of the practice of dumping by French syndicates or deny it outright. One writer, a member of the Chamber of Deputies and prominently identified with the formulation of French tariff policy, has even gone so far as to deny the legal possibility, under the Civil Code, of dumping by French producers.[1] Another French writer claims that if instances of dumping by French syndicates are discovered, they will be found upon investigation to consist merely of the sporadic sale at sacrifice prices of casual overstocks, "un expédient essentiellement accidentel et passager," and not part of a systematic and continuous policy.[2]

In spite of these disclaimers, however, French syndicates have at times resorted to systematic dumping, sometimes on a substantial scale. In 1886 witnesses before a British official commission complained of French dumping in the English market.[3] The French iron and steel syndicates were established with a view to raising prices in the domestic market by restricting the amounts of their products offered for domestic sale, the balance of their output to be marketed abroad for whatever it would bring. The dumping which resulted led to the complaint by a French writer that France was being taxed to supply other countries with cheap iron and steel.[4] In more recent years the pig-iron syndicate has commonly dumped its surplus output abroad during periods of depression in the domestic market, and the flax, hemp, and tow-yarn syndicates and the cotton-yarn

[1] Jean Morel, "Le Régime Douanier de la France," *Revue de Science et de Législation Financières*, VII, 160. This claim is based upon article 419 of the Civil Code, which, literally interpreted, prohibits no price-practice involving *reductions* in price, unless misrepresentation or fraud is involved. Moreover, the French courts have shown great reluctance to apply this article, and appear to have established the rule that the use of fraudulent methods must be demonstrated before *any* price-practice will be condemned. (Cf. *Report of U.S. Industrial Commission*, XVIII, 88, 298; Francis Walker, "Policies of Germany, England, Canada and the United States towards Combinations, "*Annals*, XLII, 185, 186).

[2] Charles Longuet, *Des Syndicats d'Exportation en France*, p. 25.

[3] Great Britain: Commission on the Depression of Trade and Industry, 1886, *Second Report, Minutes of Evidence* (C. 4715), Part I, pp. 218, 286.

[4] Georges Villain, *Le Fer, la Houille et la Métallurgie à la Fin du XIX^e Siècle*, Paris, 1901, as cited by E. D. Jones, *Journal of Political Economy*, X, 304. (The original was not available.)

syndicate have facilitated dumping by their members by granting them export bounties. The coal syndicate has not only granted export bounties to its own members, but it has extended them to the French manufacturers of metal and glass products upon purchases of coal for use in manufacture for export.[1]

In Austria export dumping, if the report of an American consul is to be accepted without reserve, has been the customary and normal practice of manufacturers engaged in the export trade.[2] The practice of dumping has been specifically attributed to the wire-tack, enamelled ware, and petroleum-refining syndicates.[3] The *Hauptkartell* in the iron and steel industry facilitated exporting by its members at reduced prices by exempting exports from the production quota or limits assigned to the member concerns. The subsidiary kartells further facilitated dumping by granting export bounties to their members.[4] The oil and the cotton-spinning kartells also granted export bounties to their members.[5]

For other continental European countries, only a few reports of the practice of dumping have been found. Export bounties were used to facilitate export dumping by the cotton textile syndicates of Spain[6] and of Italy,[7] and by several syndicates in the iron and steel industry in Russia.[8]

In Canada export dumping is not widely prevalent, for the chief exports are the products of the extractive industries,

[1] *Cooperation in American Export Trade*, Part I, pp. 227, 261, 262, 332.

[2] *Selling Foreign Manufactures in the United States*, Part I, p. 9: "In the Vienna consular district, as in all other parts of Austria, the practice prevails of granting lower prices for export in goods that compete in the world's markets. This practice is regarded as essential for the development and maintenance of export trade, and applies to all foreign trade, including that with the United States. So-called "export prices" are recognized as legitimate in Austrian commercial circles and are lower than can be obtained by domestic purchasers. Austrian manufacturers state that they can not meet the competition of the manufacturers of other nations in foreign markets unless they grant prices lower than those prevailing in the home market."

[3] *Report of United States Industrial Commission*, 1901, XVII, 111 ff.

[4] *Cooperation in American Export Trade*, Part I, p. 230.

[5] Josef Grunzel, *Economic Protectionism*, pp. 227, 228.

[6] *Selling Foreign Manufactures in the United States*, Part I, p. 109.

[7] *Cooperation in American Export Trade*, Part I, p. 263. [8] *Ibid.*, p. 234.

which are typically produced on a small scale by thousands of scattered and unorganized individuals and are therefore not readily subject to systematic price-discrimination. This does not hold true of most of the products of the mining industry, which are produced under large-scale conditions and in some cases are under what approaches monopoly control, but there does not appear to be any reason to believe that these products are sold in Canada at higher prices than abroad.[1] Although there have developed in Canada under the shelter of a high protective tariff important manufacturing industries operating under highly concentrated control, few of these industries are able to compete outside their domestic market, even by resort to dumping, with the manufacturers of other countries. Export dumping has been a common practice, however, on the part of the flour-milling industry,[2] and the agricultural implement manufacturers.[3] The leading interest in the iron and steel industry from 1908 to 1910, while receiving production bounties from the Canadian government, sold rails abroad at lower prices than in Canada. Protests were made to the government against this export dumping by various persons in Canada, and also by an English rail mill which suffered from what it regarded as unfair Canadian competition, and the government withdrew its bounties on rails not sold in Canada.[4] The United States Tariff Commission, in the course of an investigation of the prevalence of dumping by foreigners on the American market, received a number of complaints of dumping by Canadian producers of harness leather, sole leather, and lumber.[5]

[1] Cf. Abraham Berglund, "The Ferroalloy Industries and Tariff Legislation," *Political Science Quarterly*, XXXVI, 270 ff., for the practice of Canadian producers of ferrosilicon of maintaining in their domestic market prices *lower* than those obtaining abroad (i.e., "reverse dumping") in order to establish an artificially low base for the assessment of the American ad valorem import duties.

[2] Canada: *Report of the Board of Inquiry into the Cost of Living*, 1915, I,750 ff.

[3] Edward Porritt, *The Revolt in Canada against the New Feudalism*, London, 1911, pp. 100 ff.

[4] Edward Porritt, *op. cit.*, pp. 111, 133–36, 139; W. J. A. Donald, *The Canadian Iron and Steel Industry*, Boston, 1915, p. 153.

[5] *Information concerning Dumping and Unfair Foreign Competition*, 1921, pp. 13, 15.

American consuls reported that a Brazilian sugar syndicate, under the protection of an extraordinarily high import duty, exacted prices in the domestic market much higher than those charged in the export trade.[1] Of the important commercial nations there still remain to be considered only Japan, Great Britain, and the United States.

JAPANESE DUMPING

In so far as reported instances are concerned, Japanese dumping appears to have been confined to the export trade in cotton yarns. But until very recent years there were few other Japanese industries which were operating under the conditions which lend themselves to the practice of dumping, namely, large-scale, machine production under monopolistic control and receiving high tariff protection. The Japanese Cotton Spinners' Association has at different times resorted to a variety of dumping practices in its endeavors to develop its exports to the Chinese market. In 1890 a report of a committee of this association submitted a plan for exporting at a loss for five years with a view to gaining a hold on the Chinese market, the loss to be shared by all the member mills whether or not they took part in the export trade. The plan, apparently, was either at once rejected or was soon abandoned. In 1902 a system of export bounties, payable at six-month intervals, was established, but it broke down in fifteen days, mainly because the export houses demanded cash instead of deferred bounties. In 1908 the Association made a short-lived experiment with the novel device of introducing a lottery element into the export trade. Lottery tickets were inclosed with each bundle of yarn exported, and drawings were scheduled at periodic intervals, the prizes to the winning ticket-holder consisting of bales of yarn, with consolation prizes of "beautiful paintings or sets of fancy post cards to be presented to all lots remaining uncalled." All the mills were to share the expense of the lottery in proportion to their total production of yarn. Drawings were held according to schedule in 1908, but the scheme was not successful in stimulating exports and was

[1] *Selling Foreign Manufactures in the United States*, Part II, pp. 4-6.

abandoned in the same year. In 1909 the cash export bounty system was established, and it continued in effect until early in 1912. The bounties were at first granted only upon exports of yarn, but after protest from Japanese exporters of cotton textiles they were extended to exports of cotton cloth made from Japanese yarn.[1]

BRITISH DUMPING

Sporadic dumping, or the export at reduced prices of casual overstocks, is infrequent in England, because British manufacturers do not in general produce for stock in anticipation of orders not already on hand.[2] Nevertheless, there were in Great Britain, as in other countries, occasions when stocks did accumulate, and on such occasions British producers were as likely as the producers of other countries to dispose of their surpluses in foreign markets at reduced prices in order to protect their domestic prices.[3]

In Great Britain monopolistic combinations of producers until very recent years have not been either numerous or important, but of late the world-wide trend toward such combinations has been evident in that country on a more comprehensive scale.[4] Partly because of the absence in general of such combinations, partly—probably mainly—because throughout a wide range of

[1] U.S. Dept. of Commerce, *Special Agents Series*, No. 86 (1914), "Cotton Goods in Japan," pp. 88–103. This section of the report concludes as follows: "A study of the way in which Japanese mills have cooperated to promote their export trade is not only interesting but may not be without value in the suggestions to mills in other countries, especially when they are faced with a surplus on a dull home market."

[2] Cf. *Selling Foreign Manufactures in the United States*, Part III, p. 18: "Manufacturing is carried forward in this country [i.e., Great Britain] with greater reference to immediate demand than in the United States, and there is not, therefore, the accumulation of surplus stocks which periodically occur in America, and which may induce the manufacturer, in order to secure a ready market, to sell abroad at a lower price than at home."

[3] Cf. the reported remark of an Edinburgh brewer, *ibid.*, p. 15: "I have been 'dumping' ale and beer on foreign markets all my life, whenever I have had a surplus."

[4] Cf. Great Britain, Ministry of Reconstruction, *Report of Committee on Trusts*, 1919; *Cooperation in American Export Trade*, Part I, pp. 77–98, and chapter v; G. R. Carter, *The Tendency towards Industrial Combination*, London, 1913.

those British industries which produce from expensive plant and with high fixed charges the British domestic prices are normally low enough to permit of a steady and prosperous export trade without resort to lower export prices, and partly because of the absence of protective duties on imports, there has been in recent times very little resort to or occasion for systematic and continuous export dumping on the part of British producers.

This reasoning, however, may be carried too far. It is often taken for granted that the free trade policy of Great Britain makes impossible, or at least unlikely, the development either of industrial trusts or combinations able to charge monopoly prices to the English consumer or of export dumping on a systematic and continued scale. The possibility of importing free of duty the competing producers of foreign countries, it is argued, makes it impossible for a trust to raise English prices above the competitive level in outside markets. It is similarly argued that the possibility of reimportation free of duty by British merchants of any products sold abroad at dumping prices makes continued export at prices lower than the domestic prices impossible.[1] That there is some flaw in this reasoning is apparent from consideration of the evidence that there has been in late years a quite extensive development of producers' combinations, although probably not nearly to the same extent as in Germany and the United States, and that export dumping on a systematic and continued scale has been known to occur on the part of some of these combinations. The explanation, however, is not far to seek. If a British industry is, prior to combination, operating on a lower cost basis than similar industries outside of Great Britain, a monopolistic combination of the British producers may be enabled even under free trade to raise prices to the British consumer by the difference between (*a*)

[1] Cf. F. W. Hirst, *Monopolies, Trusts and Kartells*, New York, 1906, pp. 106–7: "The consequence [of England's free trade policy] is that . . . . we have hardly any cases of combinations strong enough to fix prices above their natural level; and none in which an English firm has made its price to the home consumer perceptibly higher than the price at which it sells the same article to foreign purchasers. For at the moment that such a policy were established it would pay English merchants to re-import the article from abroad."

the British cost and (*b*) the lowest foreign cost plus the transportation cost to the British market. In the absence of import duties a British monopoly may also be able as a continuous policy to sell abroad at prices lower than its domestic prices by the costs of transportation *to and from* the foreign market, including interest and insurance charges, plus an allowance for a reasonable profit to the original purchaser in the foreign market, before it need fear the reimportation of its dumped commodities.[1] For expensive commodities and for commodities sold in nearby markets an appreciable difference between the domestic and the export price will usually not be feasible. But for bulky commodities, especially if they are sold to distant markets, there must be a substantial margin of difference between the domestic and the export price before the possibility of reimportation will become a real restraint on the practice of dumping. That the dumping of the German kartells was not always dependent upon the possession of a protected domestic market is demonstrated by the fact that among the most systematic and persistent of the German dumpers were the producers of shipbuilding materials, which were admitted free of duty into Germany.[2]

The real restraint on export dumping in a free trade country is probably not so much the danger of reimportation of the dumped commodities as the fact that systematic and continuous dumping is generally a concomitant of the exaction from domestic purchasers of more or less exorbitant monopoly prices, and that in a free trade country the possibility of exacting such prices is generally closely limited by the potential competition of similar foreign commodities. As a matter of fact, many writers have been too ready to take for granted that wherever import

[1] Cf. S. J. Chapman, *Outlines of Political Economy*, London, 1911, p. 179: "A monopolist may sell abroad at any price which differs from the home price by cost of carriage between the foreign market and the home market, if the monopolist produces in a free trade country. . . . . Were the foreign price to drop below this level, the goods would be sent back to earn a profit out of the high home price." This agrees with the statement made in the text if the export price is understood to be the c.i.f. and not the f.o.b. price, and if allowance is made for an extra profit for the foreign purchaser who re-exports.

[2] Cf. Robert Liefmann, *Cartells et Trusts*, p. 110.

duties are levied they are imposed alike on foreign products and on reimported domestic products. The American tariff laws prior to the present act (i.e., the Fordney-McCumber Act of 1922) and the Canadian tariff legislation prior to the 1907 revision permitted the reimportation of domestic goods free of duty if they had not been subjected to further manufacture while abroad.[1] Similar provisions are probably a common feature of protective tariff legislation.[2]

There is evidence to show that there were some British manufacturers who found it possible to engage in systematic dumping even under the free trade policy of Great Britain. A witness before the Chamberlain Tariff Commission claimed that the "English [cotton] spinners frequently sell their yarns in foreign markets at less price than they would accept at home to the detriment of the English merchants."[3] The Scotch Steel Makers Association regularly quoted in the trade papers lower export prices for steel plate than those offered to domestic buyers. They had little cause to fear the reimportation into the domestic market of their dumped exports, because their export trade in

[1] Cf. U.S. Tariff Act of October 3, 1913, par. 404, and Canada, *The Custom Tariff*, 1906, Sec. 14. The Canadian revision of 1907 limited the reimportation of Canadian goods free of duty to articles "returned to the exporter thereof" (6-7 Ed. VII, chap. 11, Tariff item 709), thus protecting Canadian exporters against the return to Canada of goods which they had dumped abroad, although I have no evidence which indicates that this was the purpose of the change. The Fordney-McCumber Tariff introduces a similar provision into American tariff legislation. Paragraph 1514 of this act limits the free admission of American goods to goods "imported by or for the account of the person who exported them from the United States." The new clause appeared in the bill as it passed the House, and neither the Congressional debates nor the tariff hearings give any indication that it attracted any attention. Its immediate object probably was to check the reimportation into the United States at very low prices of the great quantities of army supplies which had been sold in France at sacrifice prices. The House in 1921 passed a bill imposing a prohibitive import duty of 90 per cent on army goods reimported into the United States, but the Senate failed to take action on this bill. (See *Christian Science Monitor*, September 2, 1921.)

[2] Cf. G. M. Fisk, *International Commercial Policies*, New York, 1907, p. 137: "The commercial policy of modern industrial nations generally provides for the free re-importation of certain exported domestic goods which are returned in an unaltered form."

[3] Tariff Commission, *Report on the Cotton Industry*, London, 1905, par. 602.

these commodities was mainly with distant countries, and the dumped commodities, being bulky, could not bear the freight costs of the double shipment.[1] English steelmakers also dumped in foreign markets.[2] An American investigator reported in 1909 that English manufacturers of machinery sold their products to the continent at lower prices than in the domestic market and to prevent reimportation required of foreign purchasers that they obligate themselves not to ship any of their English purchases back to Great Britain.[3] An English manufacturer of structural steel complained to a British wartime committee investigating the steel trades that British steel manufacturers commonly quote lower export prices for steel, the differential under domestic prices at times reaching 20*s*. per ton, but that they refuse to make any rebate on steel sold to English manufacturers of steel products, even when it is proved that the steel is to be used in the manufacture of products for the export trade.[4] The British salt producers' combination has been charged with export dumping.[5] The British alkali combination during the war was reported to have endeavored to secure contracts with South American importers to handle its caustic soda exclusively, with the object of shutting out the American companies as soon as the British wartime prohibition of exportation was removed.

[1] Hermann Levy, *Monopoly and Competition*, London, 1911, pp. 229 ff. Cf. also *Cooperation in American Export Trade*, Part I, p. 220.

[2] *Economist* (London), November 16, 1907, pp. 1967, 1968. In 1906, E. H. Gary, president of the United States Steel Corporation, in the course of his defense before a Congressional committee of the Steel Corporation's dumping policy, presented data which if accurate would indicate that English manufacturers of steel products far exceeded the Steel Corporation in the extent of their dumping and the margin between their home and export prices. (See *Iron Age*, LXXVII [April 19, 1906], 1324.) But similar data which he presented with reference to the prices charged at home and abroad by the German Stahlwerksverband were promptly repudiated by the latter. (*Iron Age*, LXXVIII [September 20, 1906], 744.) And his evidence in general showed that he had been misinformed about the extent of European dumping and its degree of dependence upon official bounties.

[3] C. M. Pepper, *The British Iron and Steel Industry*, 1909 (61st Cong., 1st Sess., Sen. Doc. 42), p. 23.

[4] Great Britain, Board of Trade, *Report of the Committee on the Engineering Trades*, 1918 (Cd. 9073), pp. 9, 10.

[5] Hermann Levy, *op. cit.*, p. 246.

The British combination "in consideration of this exclusive contract" guaranteed "that the British prices will be lower than any that might be offered by the Americans,"[1] a type of guaranty which must tend to lead to predatory dumping. The British Committee on Trusts, in its 1919 report, stated that there was a general agreement among representatives of combinations who had appeared before it that "one of the beneficial results of the formation of Associations sufficiently powerful to control and maintain prices in the Home market was that it enabled British Manufacturers to extend their output by selling their products at a lower price, or even at a loss, in foreign markets."[2] The chairman of an important metal combination admitted to the Committee that his association had a "fighting fund, for the special purpose of subsidising members who found it necessary to sell at less than an economic price in order to cut out foreign competitors," but he did not make clear whether this price-cutting was practiced in the domestic or the export trade. This witness also said that members of his association "had dumped in Belgium as a reprisal against Belgian dumping here."[3] British syndicated producers of linoleum have resorted to dumping to drive Belgian and French competitors out of the Turkish market.[4]

AMERICAN DUMPING

Export dumping on a continued and systematic scale has been a common practice of American manufacturers since at least the late eighties of the last century. The mass of evidence available in various official and non-official sources is conclusive in this regard, and demonstrates beyond question that a substantial fraction of the American export trade in manufactured commodities had, before 1914, been developed and maintained on the basis of the sale at dumping prices. The abundance of

[1] *Cooperation in American Export Trade*, Part I, p. 179.

[2] Great Britain, Ministry of Reconstruction, *Report of Committee on Trusts*, 1919 (Cd. 9236), p. 7.

[3] *Ibid.*

[4] *Cooperation in American Export Trade*, Part II, p. 135. Cf. also William Smart, *The Return to Protection*, London, 1904, p. 145: "As a fact, England went far beyond 'natural cheapness.' We very often sent our goods to other countries at a loss—either a loss of profit or an absolute loss."

evidence is all the more significant because American exporters who resorted to dumping generally endeavored to conceal their export prices from the American public. Export price lists and export price quotations were carefully kept out of domestic circulation. In 1902 a committee of the Democratic party seeking campaign material succeeded in obtaining from a foreign subscriber a copy of the discount sheet of an American export journal which contained the lowest export prices only after offering $100 for it.[1] Some years before a trade journal had stated that advertisers had withdrawn their patronage because it published quotations of export prices lower than domestic prices.[2] A New York Tariff Reform Club pamphlet published in 1890[3] presented many instances of dumping. In the same year, J. M. Rusk, Secretary of Agriculture in the Harrison Cabinet, protested publicly against export dumping on the part of the American Harvester Company as unfair to the American farmer,[4] and as injurious to the popularity of the protectionist policy.

A publication of the Department of Commerce in 1900 warned the steel manufacturers that their dumping was retarding the American shipbuilding and perhaps other industries, and was thereby lending strength to agitation for the lowering of the American tariff on foreign goods.[5] By this time, the Democratic

[1] Cited by Byron W. Holt, "Home and Foreign Price of American-made Goods," 1906, a New York Tariff Reform Club pamphlet, reprinted in *Congressional Record*, Vol. 40, Part 8, pp. 8024 ff. (p. 8029).

[2] *Engineering and Mining Journal*, August 26, 1890.

[3] "Protection's Home Market," New York, 1890.

[4] Byron W. Holt, *op. cit.*, p. 8025.

[5] "The Iron and Steel Trade of the United States," *Monthly Summary of Commerce and Finance of the United States*, August, 1900, p. 250: "The progress of work on shipbuilding in the United States has likewise been retarded, because makers of steel materials required a higher price from the American consumers than they did from the foreign consumers for substantially similar products. Of course American exporters have to get foreign contracts in competition with foreign plate makers, who are excluded from our domestic market. In addition to this, American export plate makers are interested in preventing the establishment of plate manufacturing in their customer nations abroad, and to that end bid low enough to discourage foreign nations from entering the field for producing their own plate at home. The progress of domestic manufacturers of iron and steel goods may likewise be

party had, in fact, already found in the general practice by protected American manufacturers of selling abroad at lower prices than at home a powerful argument against the tariff policy of their political opponents, and were making much of it. Evidence as to the prevalence of dumping was becoming abundant. The Industrial Commission, in the course of its investigation of 1900 and 1901 into industrial conditions, made some inquiry, both by the questionnaire method and by personal examination of witnesses, into the practice of dumping by American manufacturers. The Commission sent its questionnaire to 2,000 concerns, of whom 416 replied and 75 admitted that they sold abroad at lower prices than at home.[1] As the replies to the questionnaire were not compulsory, however, it is reasonable to suppose that among those concerns which failed to reply there were many who practiced dumping, and that those concerns who did practice dumping were less likely to reply than those who did not. Most of the concerns commonly referred to as "trusts" failed to reply. Even of those who replied that they did not practice dumping, it would be credulous to accept the denials at their face value.[2] Nevertheless in the

---

handicapped by the sale of iron and steel in their unmanufactured state at so much lower a price to foreigners than to domestic consumers as to keep the American competitor out of foreign markets generally. The natural limit to such a policy of maintaining a higher level of prices for these materials at home than abroad is found in the restriction of domestic consumption and in the import duty. If restriction of consumption at home does not operate to prevent the shortsighted policy of discrimination against domestic development of manufacturing industries, the other contingency is more or less sure to arise, namely, the demand for a reduction of the tariff on unfinished iron and steel, in order to equalize the opportunity of makers of finished products in foreign markets. To this policy the domestic consumer is usually ready to lend himself, thus making a powerful combination of interests to set limits to the rise of domestic prices of iron and steel materials."

[1] Cf. the minority report of Mr. T. W. Phillips, United States Industrial Commission, *Final Report*, XIX (1902), 663.

[2] Cf. Great Britain, Board of Trade: *Memorandum on the Export Policy of Trusts*, 1903 (Cd. 1761), p. 310: "It is also to be remembered in considering the value to be attributed to these answers, that the firms who supplied them had an interest in concealing or minimizing the extent to which they export goods at lower prices than those charged at home, in view of the unpopularity of such a policy among the American working-classes, and the enemies of trusts generally." Cf. also, to the same effect, the minority report of Mr. Phillips, in the *Final Report*, XIX, 663.

replies to the questionnaire which admitted the practice of export dumping and in the evidence given before the Commission there was presented an important body of data which demonstrated that a large number of important exporters of manufactured products commonly sold at lower prices to foreign than to domestic buyers. That the Industrial Commission was impressed by this evidence is indicated by the fact that one of the recommendations which it made in its final report was that import duties should be remitted on goods of a kind exported by American producers at dumping prices, in order to protect the American consumer against the exorbitant domestic prices which the practice of dumping appeared to imply.[1]

In 1902, and again in 1906, a committee of the Democratic party collected for its campaign books considerable evidence of the practice of dumping by American exporters, which made an impressive exhibit in support of their contention that the tariff policy of their political opponents enabled the protected interests to charge exorbitant prices in the domestic market. In 1906 a pamphlet of the New York Tariff Reform Club listed several hundred commodities, covering a wide range of industries, which were being commonly sold for export at prices lower than those current in the domestic market.[2] The Republicans at first made some endeavor to minimize the extent of the practice, and to explain away such instances of export sales at reduced prices as had incontestably occurred as being cases of spurious dumping resulting from the refund on exported commodities through the drawback system of the duties paid upon the importation of the materials from which these exported commodities were manufactured.[3] But the accumulation of evidence of dumping was becoming too impressive to make this a satisfactory explanation even on the political platform, especially as very few industries were in a position to take substantial advantage of the drawback privileges. In 1906 the Republican campaign book indicated a change in tactics, for it proclaimed

[1] *Final Report*, XIX, 651. [2] Byron W. Holt, *op. cit.*

[3] Cf. especially Leslie M. Shaw, Secretary of the Treasury from 1902 to 1907, in his book, *Current Issues*, New York, 1908, chap. xxi.

that if American manufacturers had gained foreign markets through resort to dumping "it is to the glory and honor of every American manufacturer who has done it that he has increased the sales of his wares abroad, thereby increasing the volume of his output, the employ of labor, and the wages of his men."[1]

Dumping continued to be practiced by American manufacturers on a substantial scale until the outbreak of the war. Since 1914 there has been first a period during which American manufacturers found it unnecessary to make reductions from their domestic prices in order to obtain export orders in the desired volume and subsequently a period during which such orders were difficult to obtain at any price. But dumping is undoubtedly being practiced to-day by some American exporters, although probably on a very limited scale as compared to the pre-war period.[2]

In the United States the systematic and continued practice of dumping appears to have been largely confined either to the dominant concerns in the staple industries or to manufacturers of specialties. In other countries, and especially in Germany, even the smallest concerns participated in the exportation at reduced prices through their membership in kartells or producers' combinations and through the use of the system of export bounties. The illegality in the United States of associations for the control of prices prevented the development of producers' associations with common funds used to grant export bounties to member concerns. The small producer of a staple commodity had no motive for continuously selling abroad on his own initiative at prices lower than those obtainable in the domestic market, since he could not appreciably affect domestic prices by any reduction in the amount of his own product which he disposed of at home. Even the large producer who sold abroad

[1] Cf. J. G. Parsons, *Protection's Favors to Foreigners*, 1909, reprinted as government document, 61st Cong. 1st Sess., Sen. Doc. 54, p. 13: "The wide publication of the official and authoritative admissions and other evidences of customary lower prices for export have made it practically impossible for any Republican or protectionist declaration to continue the former denial."

[2] Cf. the evidence of Mr. H. E. Miles, in *Hearings before the (Senate) Committee on Finance on the Proposed Tariff Act of 1921*, pp. 5368, 5392, 5395, 5398.

at dumping prices bore alone the burden of the reduced prices, but shared with the remainder of the industry the beneficial effect of his increased exports on domestic prices. Only for concerns controlling a very large fraction of the total American production—and even then only if there was no keen price-competition in the domestic market—was any conceivable gain to be derived from the systematic export of a part of their output at prices lower than those current in the domestic market. And only a concern which had very nearly monopoly control of its product in the domestic market or else was governed in its business practiced by altruistic—i.e., non-business—principles could afford to grant indirect export bounties or rebates, of the type common to the European kartells, to domestic purchasers of its products for use in further manufacture for export. For as long as there continued to be substantial competition in the domestic market, there would be a struggle on the part of each producer to obtain the higher-price orders and to avoid the necessity of accepting the lower-price orders, with the consequence that both types of orders would move toward a parity of prices. It is not surprising, therefore, that there should be only a single recorded instance in the United States of the systematic practice of granting indirect export bounties or rebates, nor that the United States Steel Corporation, with its dominant position in its industry and its practical freedom from substantial price-competition in the domestic market, should be the one concern in a position to use the system of indirect export bounties.[1]

[1] *Government Suit against the United States Steel Corporation, in the U.S. District Court of New Jersey*, 1913, pp. 3835, 3836, evidence of J. A. Farrell, then the President of the Corporation. Mr. Farrell stated that there were 158 American manufacturers to whom rebates had been granted and that the Steel Corporation sold about $30,000,000 of materials annually at special discounts from the current domestic prices to American manufacturers who used these materials in further manufacture for export. Cf. also *Hearings before the (H.R.) Committee on Investigation of the United States Steel Corporation*, 1912, pp. 2753, 2754, where the evidence of Mr. Farrell makes it appear that the practice of granting export rebates was not confined to the U.S. Steel Corporation: "The Government pays such drawback to the exporters when satisfactory proof is presented under Government regulations, and it is the practice of *manufacturers who make export allowances* to require their customers to furnish similar proof of export before allowances are made." (Italics

The United States Steel Corporation was most prominent among the American concerns which systematically dumped their commodities in foreign markets. Not all of its products were commonly sold abroad at prices lower than the domestic prices; but the list of commodities which were dumped was ordinarily a long one, the resort to dumping had been in effect for many years, and in many cases the difference between the domestic and the export price was substantial.[1] Dumping in Canada by the Steel Corporation was the original cause of the enactment by that country in 1904 of the first anti-dumping law.[2] Its dumping of tin plate in Canada in the endeavor to oust the Welsh tin plate industry from the Canadian market led to the inclusion of that commodity in 1908 in the list of articles coming under the protection of the anti-dumping clause in the Canadian tariff, although it was removed in the following year.[3] The usual concomitant of export dumping of raw or half-manufactured materials, namely, protests by domestic users of such materials for further manufacture for export that the dumping export prices were handicapping them in their export trade by affording an artificial advantage to their foreign competitors, was not prominent in the United States. Several such instances of protest, however, did occur, and were directed mainly against the steel industry. In 1906 the National Association of Agricultural Implement and Vehicle Manufacturers

mine.) Cf. also the evidence of Mr. Schwab before the Industrial Commission in 1901: "I think you can safely say this, that where large export business is done, for example, in the line of iron or steel, nearly all the people from whom supplies are bought for that purpose give you a good price for all the materials that go into export." *Report*, XIII, 454.

[1] Cf. evidence of President Schwab before the Industrial Commission in 1901 (Vol. XIII, pp. 454–55):

Q. "Would you say that when business is in a normal condition the export prices are regularly somewhat lower than home prices?"

A. "Oh, yes, always."

For more recent years see *Government Suit against the United States Steel Corporation, U.S. District Court of New Jersey*, 1913, Defendant's Exhibits, II, No. 41; and *Hearings before the (H.R.) Committee on Investigation of the United States Steel Corporation*, 1912, pp. 2726 ff.

[2] Cf. Edward Porritt, *Sixty Years of Protection in Canada*, London, 1908, p. 406.

[3] W. J. A. Donald, *The Canadian Iron and Steel Industry*, Boston, 1915, p. 185.

initiated a protest against the export dumping of iron and steel products on the ground that it hurt their export trade by making raw materials cheaper to their foreign competitors than to themselves, but upon the solicitation of some of the members of the association, the protest was apparently withheld from publication.[1] At the hearings of the Merchant Marine Commission, held in 1904, witnesses claimed that the export dumping of shipbuilding materials by the steel trust was one of the important factors checking the development of the American shipping industry and that the steel trust obtained compensation for the low prices charged to foreign purchasers by charging excessively high prices to domestic purchasers. An instance was cited of the sale by the United States Steel Corporation of steel shipbuilding materials at $32 per ton f.o.b. Pittsburgh to domestic purchasers as compared to $24 a ton, c.i.f. Belfast, to British shipbuilders.[2] Shipbuilding materials to be used in the construction of vessels built to engage in foreign commerce were admitted into the United States free of duty, but vessels built from materials imported free of duty under this provision of the tariff law were not permitted, except to a narrowly limited extent, to engage in the coasting trade of the United States. Witnesses stated that under the conditions then existent in the American shipping industry no American would take advantage of this provision and build ships which could not escape unfavorable conditions in foreign shipping by being diverted to the nationally monopolized coasting trade. The provision had, in fact, only been utilized once up to 1904 and only because exceptional circumstances were present. The Commission in its report condemned the practice of export dumping and recommended a fuller extension of the privilege of the coasting trade to vessels

[1] J. G. Parsons, *op. cit.*, p. 46. For protests on similar grounds, made over fifteen years earlier on behalf of the American steel-using industries, vide *The American Machinist*, September 26, 1889, and the *Engineering and Mining Journal*, March 15, 1890.

[2] *Report and Hearings of Merchant Marine Commission*, 1905 (58th Cong. 3rd Sess., Sen. Rep. 2755), pp. 565, 813–14. The Chairman of the Commission, Senator Gallinger, commented on this evidence that "if the situation is as has been described, it is a great outrage." (*Ibid.*, p. 814.) In justice to the Steel Corporation, it should be said that E. H. Gary later denied that there was any truth in this charge. (See *Iron Age*, LXXVII, 1324.)

built from foreign materials entered under the free admission provision of the tariff.[1]

From 1902 to 1905 the Steel Corporation induced its employees to enter into an agreement to accept about 20 per cent lower wages upon tin plate made for ultimate export than on work for domestic orders, on the plea that it could not otherwise afford to accept the orders of the Standard Oil Company for tin plate for containers for export oil.[2] The latter company, by virtue of the drawback system, was able to purchase Welsh tin plate for use in making containers for its products sold abroad on virtually a free import basis. In order to obtain such orders, therefore, it was necessary for the Steel Corporation to meet the Welsh prices on a competitive non-tariff basis.

American export dumping had before the war given rise in foreign countries to more vigorous protest and to more countervailing legislation than the export dumping of any other country. It has already been indicated that the first anti-dumping law, that of Canada enacted in 1904, was directed primarily against American dumping. From 1899 on, protests against American dumping, especially of steel products, were conspicuous in European journals, and in 1902 prominent European statesmen belonging to four different countries, Witte of Russia, Luzzati of Italy, Goluchowski of Austria, and Gothein and Posadowsky of Germany, apparently without collusion with each other, simultaneously proposed the formation of a European union along the lines of the Brussels Sugar Convention as a means of defense of their joint economic interests against the objectionable practices of American trusts and especially against their dumping of American goods in European markets.[3] In 1905 New Zealand, in response to complaints from British and domestic manu-

[1] *Ibid.*, pp. ix, x.

[2] Byron W. Holt, *op. cit.*, *Congressional Record*, Vol. 80, Part 8, pp. 8025, 8028. Cf. Josef Grunzel, *Economic Protectionism*, p. 229: "In the [American] tin-plate industry the employees have actually paid assessments from their wages into an export subvention fund."

[3] W. F. Notz and R. S. Harvey, *American Foreign Trade*, Indianapolis, 1921, p. 385: Wilhelm Feld, "Anti-dumping, Prämienklausel und Ausgleichzölle," *Archiv für Sozialwissenschaft und Sozialpolitik*, XLIV, 476.

facturers of agricultural implements that the International Harvester Company was dumping in the colony in order to suppress competition with certain of its products, passed an act authorizing the imposition of countervailing duties or the grant of bonuses to domestic or British manufacturers to meet unfair competition in agricultural implements on the part of foreign manufacturers.[1] Joseph Chamberlain's campaign of 1903 for the adoption by Great Britain of a protective tariff was based in part on the alleged need of British industry for protection against German and American dumping.[2] The anti-dumping provisions of the Australian Industries Preservation Act of 1906, according to the sponsor of the bill, the Australian Minister of Trade and Commerce, were intended to provide a means of defense for Australian industries against dumping and other allegedly unfair practices of American trusts.[4] It is not without significance that each of the three laws enacted by as many countries prior to 1914 to meet the menace of dumping was directed mainly against American export practices.

When American governmental agencies have found occasion to protest against export dumping by American concerns, it has always been the high domestic prices and not the low export prices which they found objectionable, except as it was presumed that the low export prices were a cause of the high domestic prices. Such for example was the position taken by the Department of Commerce in 1890, by the Industrial Commission in 1901, and by the Merchant Marine Commission in 1905.[3] The Report of 1907 of the Commissioner of Corporations on the Petroleum Industry presented considerable evidence to the effect that the Standard Oil Company exported at prices lower than its domestic prices in some instances in order to eliminate competitors in foreign markets.[5] The Commissioner condemned

[1] U.S. Tariff Commission, *Colonial Tariff Policies*, 1922, p. 775, n.; G. H. Scholefield, *New Zealand in Evolution*, London, 1916, pp. 326, 327.

[2] Cf. C. W. Boyd (editor), *Mr. Chamberlain's Speeches*. Boston, 1914, II, 173–74, 199–200; Josef Grunzel, *Economic Protectionism*, p. 149; Geoffrey Drage, *The Imperial Organization of Trade*, London, 1911, pp. 138 ff.

[3] Commonwealth of Australia, *Parliamentary Debates*, June 14, 1906, p. 247.

[4] Cf. supra.

[5] Part II, pp. 317, 360, 372–77.

this practice, but not because it was unfair to the foreign competitors of the Standard Oil Company: "It is not so much the low prices in foreign markets as the exorbitant prices in the domestic market which require condemnation."[1]

DUMPING RESULTING FROM OFFICIAL BOUNTIES

Dumping is as likely to result from an official or government export bounty as from a private bounty. Official export bounties were a common, if minor, feature of the mercantilistic system. But in most countries they had been wholly or largely eliminated by the early part of the nineteenth century, and in European countries what few instances had hitherto survived were, with rare exceptions, repealed during the free trade movement of the 1860's. The beet sugar industry, however, received in this respect exceptional treatment. In several European countries an elaborate system of export bounties on beet sugar developed unintentionally out of a clumsily contrived system of excise taxation, and from these countries it spread to other European countries, which adopted the bounty system either in defense of their export trade in beet sugar or out of a feeling of international rivalry. It involved a heavy drain on state treasuries, and was subjected to a severe blow when the United States in the tariff laws of 1894 and 1897 imposed countervailing duties on bountied sugar. The final blow came in 1902, when Great Britain, the only remaining important export market for beet sugar, threatened to impose penalizing duties on a bountied sugar in the interests of its sugar-refiners and the cane-sugar growers in its colonies. In 1902 most of the important European beet-sugar growing countries agreed in the Brussels Sugar Convention—not unwillingly in most cases—to end the unprofitable competition in export bounties by suppressing the system. A few countries, among which was for a time Russia, continued, however, to grant export bounties on beet sugar. The only other instances of open official export bounties which were in effect in recent years were in France, on cured fish, in Venezuela tempo-

[1] Part II, p. 427. Cf. also p. 431 for the charge that the Standard Oil Co. "practically makes the people of the United States very largely bear the cost of its policy of domination in the world's markets."

rarily after 1910 on a considerable list of natural products, in Australia on combed wool and silver, and in several tropical countries on miscellaneous commodities.[1] Dumping arising from the open grant of official export bounties does not, therefore, present an important problem.

Official export bounties still survive, however, in numerous instances in concealed or indirect form, mainly through the grant of drawbacks on import duties in greater amounts than the import duties of which they are presumably a refund, or by making the right to drawback of import duties transferable from the original importer to other persons, or from the original commodities imported to other similar, or even different commodities. Such regulations were effective prior to the war in Germany, in France, and in other European countries.[2] It is difficult to judge of the extent of the economic significance of such bounties or of the export dumping to which they may give rise. They are probably, however, of little importance in international competition.

MONOPOLIES AND DUMPING

In the course of the preceding summary of the export dumping practices prevalent in various countries, it was made apparent that dumping on other than a sporadic basis was typically, if not invariably, confined to monopolistic producers' combinations. This conforms with the theoretical expectations.[3] First, dumping is most likely to appear to be profitable in the case of industries using large plant and expensive machinery, so that the fixed charges are an important part of the total costs of production. For such industries maintenance of output at near maximum capacity is most urgent on financial, and sometimes on technological, grounds. It pays such industries to accept additional

[1] Cf. Josef Grunzel, *Economic Protectionism*, pp. 200 f., and Great Britain: *Reports of H.M. Representatives Abroad on Bounties*, 1904 (Cd. 1946).

[2] *Ibid.* Cf. also, Ludwig Dan Pesl, *Das Dumping, Preis-Unterbietungen im Welthandel*, Munich, 1921, pp. 5–20.

[3] Cf. F. W. Taussig, *Some Aspects of the Tariff Question*, p. 208: "Sales at lower prices are made to foreigners, not only sporadically, but for long periods and systematically. This phenomenon would seem to be explicable only on [the] ground . . . . of monopoly."

orders at any price which more than covers the direct costs, if these orders are not otherwise obtainable and if full production cannot be maintained without them. But it is in industries having these characteristics that apart from natural and legal monopolies, monopolistic organization is most likely to be attempted, mainly in order to escape the danger of destructive competition.

Once monopoly control has been achieved in the domestic market, it may pay, if domestic orders do not fully occupy the productive facilities, to bid for orders in other markets at prices lower than those exacted in the domestic market, and lower even than the average cost of production. If cutthroat competition results from this policy, it will at least be confined to markets in which the dumping organization is not vitally interested. The mere fact of monopoly control in the domestic market will make it probable that the prices exacted in that market will be above the competitive level in outside markets, and that foreign orders will be obtainable only if the prices quoted to prospective foreign purchasers are lower than the domestic prices. Monopoly in the domestic market would appear for another reason to be essential if continued dumping is to be profitable. If there is competition in the domestic market, the concern which dumps a portion of its output in foreign markets in order to reduce the supply and maintain or raise the prices in the domestic market must bear by itself all the sacrifice involved in the export at reduced prices and must share with all its domestic competitors the advantage accruing from the reduction in the domestic supply. Under these circumstances a concern will have as much—or nearly as much—to gain from price-cutting in the domestic market as from export dumping. It is only to a monopoly that export dumping has attractions greater than those of domestic price-cutting.

It is on grounds such as these that it has been held by many economists that dumping as a systematic and continued practice must normally be confined to monopolies. A study of the practice of export dumping by European industries offers no basis for doubting the validity of this reasoning. But when

attention is directed to the extensive, systematic, and continued practice of dumping by American exporters some interesting questions suggest themselves. Are we to conclude from the prevalence of dumping that a large part of the manufacturing industries which are important in the American export trade are in monopolistic control of the domestic market?[1] As far as open and avowed monopoly is concerned, certainly not. But in Europe, in Japan, in practice if not in legal theory in Canada, monopolistic combinations are not harried by adverse legislation and hostile regulatory bodies, and even receive some measure of governmental sanction and encouragement. It is not necessary for them to operate under cover, and they can without fear of consequences openly adopt forms of organization, such as the kartell, which disclose their monopolistic character to the public. In the United States, on the other hand, where monopolistic combination exists concealment thereof is highly expedient, both to forestall the intervention of government and to avoid arousing popular antagonism. It might seem, therefore, a plausible inference from the theoretical expectations that the prevalence in the United States of systematic and continued dumping on a widespread and extensive scale proves the existence of at least as widespread and extensive monopolistic control in the domestic market.

If the term monopoly is to be taken to mean 100 per cent control, there are, with the exception of natural and franchise

[1] Cf., however, the following statement of the Federal Trade Commission, which sets forth the claim that the American prohibition of combinations in restraint of trade has been an effective barrier to American dumping: "Probably the most prominent example of a country which has followed the policy of pushing its foreign trade by making export prices lower than its home prices is Germany. But Germany freely permits combinations in its home market. This facilitates the exaction of high prices in its domestic market, which is one of the principal conditions enabling such combinations to sell at very low prices in export trade. The fact that the law of this country prohibits such combinations in the home market not only safeguards against artificially maintained prices at home, but also gives substantial economic guaranties that American export prices will not, in general, be lower than American domestic prices. Where the domestic prices are kept on a competitive basis there is little margin left to enable the exporter to sell goods abroad" (*Cooperation in American Export Trade*, Part I, pp. 377, 378). As the American prohibition of monopolistic combinations has *not* been an effective barrier against American dumping, it would follow from this reasoning that it has also failed to be an effective barrier against monopolistic combinations!

monopolies, few if any instances in the United States. But between the "perfect competition" and the absolute 100 per cent monopoly of the classical economics, there is a wide area in which is to be found the greater part of modern manufacturing and mining industry. Although the prevalence of dumping in the export trade of the United States is not to be explained by the existence of absolute monopoly control in many industries, it is to be attributed in large part to the absence of keen price-competition in the domestic market for manufactured and other products produced under large-scale conditions. Whether this absence of keen price-competition in the domestic market is due to tacit or concealed agreements, or to interlocking directorates, or to the dominance in the respective industries of single, great concerns whose domestic price lists are accepted with or without an understanding of some sort as the standard to be adhered to by all producers in these industries, is not material to the present study. But this absence of keen price-competition operates to facilitate export dumping substantially as would complete monopoly organization. It makes it impossible, or at least inexpedient, to attempt to stimulate sales by cutting domestic prices. Through the comparative inflexibility of domestic prices, it brings about for long periods a lack of adjustment between the volume of domestic orders and productive capacity. It confines to the export trade the opportunity for experimenting with price reductions as a means of bringing about expansion or outmaneuvering rival producers. It may even result in intensive price-competition in the export trade between American producers, so that their dumpign is directed against each other rather than against foreign competitors. It is a form of industrial organization which tends to stimulate export dumping under circumstances in which it would be repressed by completely monopolistic organization, for it tends to divert to the export trade the execution of all those impulses leading to cutthroat competition, which formal or informal agreement, or the commercial mores, or the fear of dire consequences have suppressed in the domestic market.

That monopolistic combination may lead under certain circumstances to the suppression instead of the stimulation of

dumping is at first sight a surprising conclusion. But it can be supported, not only by a priori reasoning, but by citations of instances where the suppression of export dumping was both the original motive for monopolistic organization and one of the rules of the organization once established. If a given country produces all or a very substantial proportion of the world supply of a commodity, it is in the interests of its producers that there be no intensive price-competition among themselves whether in the domestic or in the export trade. One of the factors leading to the establishment of the Stahlwerksverband was the desire of eliminating competition in export markets among German producers of steel.[1] The china manufacturers of Austria agreed, as in their mutual interests, to refrain from cutting prices in foreign markets below the domestic level.[2] Governments have even intervened to enforce monopoly upon a domestic industry,[3] to assume monopoly control, themselves,[4] or to prohibit export dumping by statute,[5] in order to prevent domestic producers who in combination could dominate the world market from cutting prices to foreigners below a profitable level through competition among themselves in the export trade.[6]

[1] *Cooperation in American Export Trade*, Part I, p. 213.

[2] *Selling Foreign Manufactures in the United States*, Part I, p. 6.

[3] The cacao association of Ecuador, which is semi-official in character, is a case in point. Cf. *Cooperation in American Export Trade*, Part I, pp. 189 f.

[4] For example, the Brazilian valorization scheme for coffee, *ibid.*, p. 190.

[5] For example, the German law of May, 1910, with regard to potash: "The German Government has enacted a law which fixes the quantities of potash sold both in export and domestic trade and forbids the sale for export at prices below "those fixed for the domestic market," *ibid.*, Part I, p. 8. Cf. also H. R. Tosdal, "The Kartell Movement in the German Potash Industry," *Quarterly Journal of Economics*, November, 1913, p. 186: "Except for very short periods export prices have been higher than domestic. *Having a monopoly of the products*, there has been no necessity for a resort to the 'dumping' which has been a practice of the steel and coal Kartells." (Italics mine.)

[6] Cf. also U.S. Dept. of Commerce, Bureau of Corporations, *Trust Laws and Unfair Competition*, 1916, p. 189, with reference to Brazilian coffee, Argentine quebracho, Chilean iodine, and Ecuadorian cacao: "The combination of the producers of each of these commodities is the result of their attempt to take advantage of a great natural resource, largely peculiar to their own country, and through combined effort to secure the maximum return for their product in the markets of the world."

In recent years international combinations have made their appearance, whose purpose it was, by apportioning markets or by fixing prices for mutual markets of member concerns, to extend the area in which monopoly prices could be exacted beyond the national boundaries of the countries in which the member concerns had their producing establishments.[1] Such associations are combinations of combinations, and cannot be organized unless there already is monopolistic organization in the various producing regions.

In the United States the campaign among business men for the passage of legislation legalizing combinations in the export trade, such as was finally embodied in the Webb-Pomerene Act of April 10, 1918, was based in part on the argument that in the absence of combination among American producers they would compete with each other in foreign markets, with the result that foreigners would obtain lower prices than domestic purchasers. If export combinations were legal, they could operate to prevent such dumping abroad.[2] It was also argued that there existed abroad combinations of buyers of American commodities, who forced the export prices of these commodities below the levels current in the United States.[3] These arguments were accepted by the Federal Trade Commission.[4] There is implicit in both of them the acknowledgment that where they apply there is

[1] Cf. William Notz, "International Private Agreements in the Form of Cartels, Syndicates and other Combinations," *Journal of Political Economy*, XXVIII, 658–79.

[2] Cf. *Official Report, First National Foreign Trade Convention*, 1914, p. 163; *Cooperation in American Export Trade*, Part I, pp. 7, 297, 373, Part II, p. 374.

[3] Cf. the evidence of John D. Ryan before the Federal Trade Commission with respect to copper: *Cooperation in American Export Trade*, Part II, p. 261. Cf. also the pamphlet, *Report of Special Committee on Trust Legislation*, Chamber of Commerce of the United States, Dec. 1, 1914: "In the foreign trade, however, a combination of buyers beyond the reach of control by the United States may practically dictate the prices at which American goods may be sold in foreign markets, in the absence of authority to American manufacturers and exporters to co-operate to maintain prices abroad."

[4] *Cooperation in American Export Trade*, Part I, p. 7. Cf. also Part I, p. 298: "By fixing an export price [an American export combination] could prevent the quotation by foreign buyers of one American producer against another and could eliminate harmful price competition among Americans themselves in foreign fields."

operative among American manufacturers keen price-competition in the export trade which is absent, or is not present in the same degree, in the domestic market, for otherwise the price-cutting would not be confined to the export trade. The Federal Trade Commission, on the other hand, also presented as an advantage of export combinations their ability to dump abroad in order to meet the dumping of foreign producers:[1] "The ability to adjust and fix export prices would be a great advantage in dealing with underselling in foreign markets by foreigners. An American combination could afford to make lower prices and sustain losses rather than relinquish markets abroad to foreigners who were dumping there." But the conflict between these two positions is more apparent than real. Producers' combinations have been organized to facilitate export dumping and to check it, and occasionally the same organization has at different times, as circumstances changed, operated with first the one and later the other object in view.

CONCLUSION

Dumping has by no means been confined to staple manufactured commodities. Raw materials, the immediate products of extractive, and especially of mining industries, have been as conspicuously subject to dumping as manufactured products, where these raw materials were produced on a large scale, and where the utilization of expensive machinery and equipment has made the maintenance of full production financially urgent. Pig iron, coal, raw sugar, crude mineral oil, lumber, all of these have been, at different times and by producers in different countries, dumped abroad on a systematic and continued scale. Nor have manufactured specialties, patented and trade-marked articles, been altogether immune from dumping. Sewing machines, safety razors, cash registers, typewriters, watches, fountain pens, have all been sold abroad by American exporters at lower prices than at home. Foreign consumers have not been willing to pay the prices to which American purchasers had become accustomed, or American manufacturers who could rely

[1] *Ibid*, Part I, p. 298.

on the operation of the business man's code or on the individuality of their products to protect them from keen price-competition at home, have found that in foreign markets they could not obtain export orders unless they met the prices of competing articles.

No attempt has been made here to estimate quantitatively the proportion of export sales which are made at dumping prices. For the United States estimates have run from as low as one-half per cent to as high as 20 per cent of the total exports of manufactured commodities, but there is no possible means, short of an extensive governmental investigation, for checking these estimates or even for making an approximate guess. It has been shown, however, that dumping is a practice of long standing in international trade, that it has wide prevalence in most of its possible forms, and that it presents a problem in international competition comparable in importance with the problems of standards of competition in domestic trade. Because dumping is an international matter, moreover, it acquires a factitious importance to which intrinsically it has no claim. Men are less tolerant of questionable methods of competition, or even of any methods of competition, to which they or their fellow-citizens are subjected, when the agents are foreigners. What they accept as reasonable when done to them by a fellow-citizen, or even as laudable when done by a fellow-citizen to a foreigner, they bitterly resent when done to one of themselves by a foreigner. National animosities, international jealousies, mercantilistic prejudices and ambitions, are prone to influence discussions of international competition, and serve too often to convert what began as scientific and dispassionate analysis into strident and belligerent invective. This makes it all the more important that the economic consequences of dumping, its relation to the question of unfair competition, and the available methods of controlling or suppressing its possible abuses, be carefully, calmly, and disinterestedly studied, in order that exaggerated fears may be set at rest, and that legitimate interests may be properly protected.

Jacob Viner

University of Chicago